EXHIBIT B

(Deposition Transcript of Charles Moore)

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re — Chapter 9
CITY OF DETROIT, MICHIGAN, — Case No. 13-53846
Debtor. — Hon. Steven W. Rhodes
______________________/

DEPONENT: CHARLES M. MOORE
DATE: Wednesday, September 18, 2013
TIME: 10:02 a.m.
LOCATION: MILLER CANFIELD PADDOCK & STONE PLC
150 West Jefferson, Suite 2500
Detroit, Michigan
REPORTER: Jeanette M. Fallon, CRR/RMR/CSR-3267

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A. The rate of payouts is another area where the actuaries make assumptions as to what benefits will be paid in what periods and to the extent that those are underestimated, that can impact the funded position as well. Tying into previous assumptions that I had indicated.
Q. So is it -- is it your position that the City views the actuarial payout assumptions as understating unfunded liabilities?
MR. MILLER: Object to form. Go ahead.
A. As an example, Mr. Ruegger, the actuarial valuation assumes certain payouts. The actual payouts in the most recent completed year of plan assets were substantially higher than what was anticipated prior to that valuation being done and so at a minimum that would indicate that there were more assets that were paid out than what was assumed by the actuary.
Q. Other than the assumptions and methods you've identified, are there any other assumptions and methods that to your understanding the City views as understating the systems' unfunded liabilities?
A. The City and most importantly its actuary has not completed its analysis on the unfunded position. The City is trying to undertake a process to actually develop a more concrete valuation model on its own so

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it's been relying on the valuation model of the pension systems' actuary. As such we have focused on a few items here, but until the City completes its analysis and completes its own actuarial valuation, neither the City nor its actuary nor I would be able to say what all the assumptions are that could be used to either overstate or understate the funded position.
Q. Very well.
Let's turn to one of the assumptions that you address in your declaration and specifically in paragraph 11 you talk about the projected net rate of return. The 7.0 percent or 7.25 percent figure, do you see that in paragraph 11?
A. Yes, sir.
Q. Those were not figures that were recommended by a particular actuary; were they?
A. The 7 percent is actually higher than the rate that Milliman, the City's actuary, had originally put forward, which in its view would result -- the rate at which there was a fifty-fifty chance of achieving that rate.
MR. RUEGGER: All right. I'm going to move to strike, because with all respect that was not responsive to my question, Mr. Moore.
Q. I understand Milliman has prepared a variety of

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letters and reports and we'll take those up with the Milliman folks, but I'm trying now to focus on the 7.0 figure. That was a figure selected by the City for illustrative purposes; correct?
MR. MILLER: Object to form.
A. Yes.
Q. And that was not the specific figure or a specific figure recommended by Milliman or any other actuary; correct?
A. I can't speak to any other actuary, but going back to the previous question, yes, 7 percent was used for illustrative purposes.
Q. The -- and the Milliman analysis that's been undertaken so far, to your understanding, that hasn't been the product of work on the actual data for the systems; has it?
MR. MILLER: Object to form.
MR. RUEGGER: Okay, that was a poor question, I'll try again. Actually withdrawn.
Q. Related to the projected net return, in paragraph 15 of your declaration, I believe it's 15, you have a -- we'll get to it.
Let's talk now about the concept of smoothing that you reference in paragraph 12. In your understanding smoothing is a common calculation used

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by actuaries related to pension projections; correct?
A. I would clarify your question from the standpoint of typically pension boards will decide on the policies and then actuaries will perform calculations based on the policies that a board will decide to use.
Q. But smoothing is a common practice for actuaries; is it not?
MR. MILLER: Object to form.
A. Based on my experience, yes, there is a number of plans that I've looked at that involve a smoothing.
Q. And would you agree that smoothing is a method to manage the effect of investment volatility on contributions and to provide a more consistent measure of plan funding over time?
MR. MILLER: Object to form.
A. Generally speaking, yes. What's important to note is that smoothing is a concept, and I agree with the purpose of that concept. The number of years over which a pension system may smooth can differ significantly.
Q. Based on the -- well, withdrawn.
To your knowledge is smoothing generally consistent with the actuarial standards of practice?
MR. MILLER: Object to form.
A. Well, I can tell you, Mr. Ruegger, later this year new

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City of Detroit to put into that pension fund as of July of next year; correct? July of this year; correct?
MR. MILLER: Object to form. Go ahead.
A. Obviously there are a number of potential sources of cash that are still uncertain.
Q. Okay.
A. But to answer your question about why this was done --
Q. Yeah.
A. -- there were a number of comments that were made indicating that the plan is only $830 million underfunded or some people refer to the June 30th of 2011 number and our point on this was to indicate that even if the plan was topped off from an actuarial standpoint, meaning that it was funded at 100 percent, if you roll forward using certain assumptions, what potentially happens to plan assets.
Q. I see. But one of the assumptions is there's going to be no further contributions into the plan after that lump sum; correct?
A. Yes. And what that is getting at is there's no future accrual of benefits. So you fully fund it based on the benefits that have been accrued --
Q. Okay.
A. -- which if that was the case, if it was fully funded

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from an actuarial standpoint and no new benefits accrued and you experience a 7.9 percent assumed rate of return -- or actual rate of return, what would happen to the plan assets.
Q. Let me ask you if you have Moore Exhibit 3 there, I want to ask you a few questions with regard to that.
Let me direct you to page 95 of that presentation. Hang on for a second. I'm sorry, I was in the wrong place. Page 109. Looking at the heading there, claims for unfunded pension liabilities.
A. Yes, sir.
Q. Were you involved at all in the drafting of that part of this presentation?
A. I don't think I wrote that, but I was aware of this language.
Q. Okay. How about the specifically the language of the third bullet point? Because the amounts realized on the underfunding claims would be substantially less than the underfunding amount, there must be significant cuts in accrued vested pension amounts for both active and currently retired persons. Were you involved in formulating that?
A. Yes, sir.
Q. And has the City -- I noticed in this presentation there's no quantification of what -- of the cuts that

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would be -- that in the City's view must occur; correct?
A. Correct.
Q. Has there been a specification of those level of cuts that the City contends must occur?
MR. MILLER: Object to form.
Q. I mean, have you put a dollar amount on it?
A. No, and our analysis of this continues. Right now we still don't know what assets could be available to put towards the pensions. We still have not had the type of dialogue that we would like to have related to the calculation of the unfunded amount, so because of those two uncertainties among others we don't know what cuts, if any, there may need to be.
Q. Well, doesn't it say there must be significant cuts? Am I -- are you saying that there's some -- that the City's position may be that there are no cuts that are necessary in accrued vested pension amounts?
MR. MILLER: Object to form.
A. We don't know. That's where we want to continue to engage in discussions and negotiations with the parties, but depending on what the unfunded amount is and what assets may be available for those claims, it certainly is possible.
Q. So maybe that should have been worded there may be

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significant cuts rather than must?
MR. MILLER: Object to form. It asks for speculation.
MR. CIANTRA: I don't think it asks for speculation at all.
MR. MILLER: It asks for speculation, but you can go ahead and speculate.
A. Possibly.
Q. But in any event, there's been no specific quantification of any level of cuts to accrued vested pension amounts that the City has formulated in this restructuring process to date; isn't that correct?
A. Correct.
Q. And I would assume from that that you have not provided the unions or any of the retiree groups with any -- any quantification of cuts that the City would like to see made?
A. No, we have met with parties regarding the pension multiple times and we've laid out a process that we propose to follow; however, that process really has not been started unfortunately.
Q. Are you aware of provisions of the Michigan State Constitution that affect the ability of the State or its municipalities to alter accrued pension benefits?
A. Generally, yes.

State of Michigan)
County of Genesee)

Certificate of Notary Public

I certify that this transcript is a complete, true and correct record of the testimony of the witness held in this case.

I also certify that prior to taking this deposition, the witness was duly sworn or affirmed to tell the truth.

I further certify that I am not a relative or an employee of or an attorney for a party; and that I am not financially interested, directly or indirectly, in the matter.

WITNESS my hand this 20th day of September, 2013.

Jeanette M. Fallon

Jeanette M. Fallon, CRR/RMR/CLR/CSR-3267
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Registered Merit Reporter
Certified LiveNote Reporter
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Notary Public, Genesee, Michigan
Acting in Oakland County, Michigan
My Commission Expires: 9-19-18